

Message Text

PAGE 01 STATE 173003

17

ORIGIN EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 TRSE-00 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 FRB-03 IO-10

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA PRIORITY

AMEMBASSY BERN PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

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INFO AMEMBASSY PARIS PRIORITY

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AMEMBASSY LUXEMBOURG PRIORITY

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AMEMBASSY OSLO PRIORITY

AMEMBASSY OTTAWA PRIORITY

USMISSION OECD PARIS PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY STOCKHOLM PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBASSY VIENNA PRIORITY

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PAGE 02 STATE 173003

AMEMBASSY WELLINGTON PRIORITY

C O N F I D E N T I A L STATE 173003

E.O. 11652: GDS

TAGS: ENRG/IEA

SUBJECT: IEA GOVERNING BOARD ISSUES AT THE JULY 28-29
MEETING: EMERGENCY STOCKS

1. AT ITS MEETING ON JULY 28-29, THE IEA GOVERNING BOARD IS SCHEDULED TO CONSIDER A COMPROMISE PROPOSAL ON EMERGENCY STOCKS WHICH WAS TABLED AT THE JUNE 30-JULY 2 MEETING OF THE BOARD. THAT COMPROMISE INCLUDES THE FOLLOWING ELEMENTS:

--A PROVISIONAL DECISION TO RAISE THE LEVEL OF EMERGENCY RESERVES TO 90 DAYS BY 1980 (A FINAL DECISION TO BE TAKEN ON THE BASIS OF FURTHER STUDIES TO BE COMPLETED BY APRIL 1, 1976);

--A DECISION TO RAISE THE EMERGENCY RESERVE COMMITMENT REFERRED TO IN ART 2.2 OF THE IEP AGREEMENT FROM 60 TO 70 DAYS ON JANUARY 1, 1976;

--A DECISION THAT FROM JANUARY 1, 1976 THAT PORTION OF OIL STOCKS CONSIDERED TO BE ABSOLUTELY UNAVAILABLE EVEN IN AN EXTREME EMERGENCY WOULD BE LOWERED FROM 10 TO 5 PERCENT.

2. THE US IS SERIOUSLY CONCERNED THAT THIS COMPROMISE, IF CONFIRMED BY THE GOVERNING BOARD COULD SERIOUSLY UNDERMINE THE IEA'S CREDIBILITY AS AN EFFECTIVE AND SERIOUS ORGANIZATION BOTH AMONG OUR OWN PUBLICS AND VIS-A-VIS THE PRODUCERS. IN PARTICULAR, WE ARE NOT PREPARED TO AGREE THAT THE PORTION OF STOCKS CONSIDERED TO BE ABSOLUTELY UNAVAILABLE IN AN EMERGENCY SHOULD BE REDUCED FROM TEN PERCENT TO FIVE PERCENT. ON A TECHNICAL BASIS, OUR EXPERTS ADVISE THAT THE CASE FOR SUCH A REDUCTION IS SERIOUSLY FLAWED AND THAT AT LEAST TEN PERCENT OF TOTAL STOCKS WOULD NOT BE AVAILABLE FOR CONSUMPTION IN EVEN THE MOST SEVERE EMERGENCY.
CONFIDENTIAL

PAGE 03 STATE 173003

3. BUT MORE FUNDAMENTALLY, WE BELIEVE THAT SUCH A DECISION WOULD BE MOST UNWISE FROM A POLITICAL POINT OF VIEW. WHAT IS AT ISSUE IS WHETHER AND WHEN THE IEA COUNTRIES ARE PREPARED TO TAKE SERIOUS ACTION TO ENHANCE THEIR CAPABILITY TO WITHSTAND THE ECONOMIC IMPACT OF AN EMBARGO BY INCREASING EMERGENCY STOCKS. OUR OBJECTIVE SHOULD NOT BE TO SOMEHOW READJUST OUR DEFINITIONS SO AS TO GIVE THE IMPRESSION THAT WE HAVE INCREASED OUR EMERGENCY PREPAREDNESS. (NOTE: RE-DEFINING ABSOLUTELY UNAVAILABLE STOCKS AS FIVE PERCENT RATHER THAN TEN PERCENT OF AVAILABLE STOCKS MEANS THAT HALF THE PREVIOUS UNAVAILABLE STOCKS CAN BE SHIFTED TO THE AVAILABLE CATEGORY. THE RESULT IS THAT ALMOST FOUR OF THE TEN DAY ADDITIONAL COMMITMENT IMPLIED BY THE COMPROMISE WOULD BE

OBTAINED BY VIRTUE OF A PAPER TRANSACTION RATHER THAN REAL EFFORT BY IEA MEMBERS). SUCH MOVES WILL BE TRANSPARENT AND CAN ONLY FUEL RECENT SPECULATION IN THE PRESS AND ELSEWHERE THAT THE IEA IS LOSING MOMENTUM, BECOMING A PAPER TIGER,ETC.

4. THE US BELIEVES THAT THE IEA SHOULD INCREASE ITS STOCK COMMITMENT, AND WE ARE PREPARED TO AGREE NOW TO A 90 DAYS LEVEL FOR 1979 OR 1980. IN FACT, OUR NATIONAL STOCKPILING PROGRAM, ON WHICH CONGRESSIONAL AGREEMENT APPEARS CLOSE AND WHICH WILL INVOLVE ENORMOUS EXPENDITURES, WILL PUT US SUBSTANTIALLY OVER 90 DAYS. WE WOULD STRONGLY PREFER TO SET NOW THE DATE FOR THE 90 DAY COMMITMENT. BUT WE RECOGNIZE THAT SOME COUNTRIES MAY REQUIRE FURTHER TIME FOR TECHNICAL STUDY, PARLIAMENTARY PREPARATIONS, ETC., AND WE ARE WILLING TO DEFER ESTABLISHING A FIRM DATE FOR THE REALIZATION OF THE 90 DAY LEVEL UNTIL NEXT SPRING. WE ARE ALSO PREPARED TO CONSIDER MOVING TO 90 DAYS IN STAGES. BUT WE DO NOT BELIEVE# THAT THE IEA SHOULD TRY TO DEFINE ITS WAY INTO A HIGHER LEVEL OF STOCKPILES.

5. THE SUBSTANCE OF THIS MESSAGE SHOULD BE PASSED TO APPROPRIATE OFFICIALS IN IEA CAPITALS PRIOR TO THEIR DEPARTURE FOR THE GOVERNING BOARD MEETING NEXT WEEK. KISSINGER

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